

# Fiscal TOPICS

Published April 2016



## Flood Mitigation Program and Sales Tax Funding

### History and Purpose

The Iowa General Assembly created the [Flood Mitigation Program](#) in 2012. The Program provides a funding source to finance flood mitigation projects undertaken by approved local governments. The primary funding source established is a diversion of state sales tax revenue from the State General Fund to the qualified local governments. The [Iowa Flood Mitigation Board](#) manages the Program.

The Iowa Department of Revenue provides assistance in determining the amount of funding available to each of the approved local governments. The amount of funding available each quarter is determined by comparing the retail sales within a specific geographic area<sup>1</sup> in a given quarter to the amount of retail sales in that same area for that same quarter in a base year. The calculated state sales tax from the retail sales growth is available to the qualified local governments for flood mitigation finance. Local governments are permitted to issue bonds that will be repaid with the sales tax revenue made available under the Program.

The Board is allowed to approve local government projects that total \$30.0 million per year in sales tax revenue. A local government is allowed to receive sales tax revenue for flood mitigation for up to 20 years after the local government's project was approved by the Board. No local government is allowed to receive more than \$15.0 million in sales tax revenue under the Program in any one fiscal year. The first quarterly sales from which sales tax revenue growth could be calculated and transferred for the Program was the third quarter of FY 2014.

The Board has approved a total of \$596.8 million in sales tax funding for the projects of 10 approved local governments. The funding schedule runs from FY 2014 through FY 2035. The total sales tax funding approved, sales tax time frame, total funds from all sources,<sup>2</sup> and related indebtedness reported are provided in the following table.

Flood Mitigation Funding Summary				
In millions				
Local Government	Approved Sales Tax Funding, in Millions	Sales Tax Funding Timeframe	Total Funds, All Sources	Indebtedness Incurred (Bonds, etc.)
Burlington	\$26.2	2016-2033	\$64.2	\$0.0
Cedar Falls	6.6	2014-2018	13.3	0.0
Cedar Rapids	269.4	2014-2033	576.1	0.0
Coralville	9.8	2014-2017	23.5	0.0
Council Bluffs	57.0	2015-2034	114.0	0.0
Des Moines *	111.1	2016-2035	308.6	0.0
Dubuque	98.5	2014-2033	200.9	28.8
Iowa City	8.5	2014-2021	63.4	6.0
Storm Lake	4.1	2015-2033	8.2	1.1
Waverly	5.6	2014-2025	11.3	9.1
	\$596.8		\$1,383.5	\$45.0
* City of Des Moines and Metropolitan Wastewater Reclamation Authority				

<sup>1</sup> For nine cities, the geographic area for the increment calculation is the entire city. For the Des Moines/Metro Wastewater Reclamation Authority, the geographic area encompasses Des Moines and many surrounding cities.

<sup>2</sup> Total funds from all sources is a budgeted amount and includes the diverted sales tax revenue, other state funds, federal funds, and funds from local sources.

## Flood Mitigation and Sales Tax Funding

The related indebtedness column includes debt issued that is to be repaid with diverted sales tax revenue. Iowa Code section [418.14](#) authorizes the issuance of bonds that are to be repaid in whole or in part with the sales tax revenue authorized under the Program.

### Current Budget Impact

Sales tax funding of the Flood Mitigation Program impacts the State General Fund revenue stream through periodic transfers out of the State General Fund to the Sales Tax Increment Fund. The transfers to the Sales Tax Increment Fund decrease, dollar-for-dollar, State General Fund revenue for the year.

Iowa Code section [418.12\(4\)](#) dictates that all of the sales tax growth within an area is to be transferred to the Sales Tax Increment Fund during the course of a fiscal year. Distributions to a specific approved local government is limited to no more than 70.0% of that local government's sales tax growth for the fiscal year, or \$15.0 million, whichever is less. Iowa Code section [418.12\(5\)](#) directs the Department of Revenue, at the end of each fiscal year, to transfer from the Sales Tax Increment Fund to the State General Fund any sales tax revenue in excess of \$30.0 million.

The first quarter eligible for increment calculations was the third quarter of FY 2014. For FY 2014 through March 31 of FY 2016, a total of \$47.3 million has been transferred from the State General Fund to the Sales Tax Increment Fund. This amount equals the full calculated increment for all approved cities from the third quarter of FY 2014 through the first quarter of FY 2016. Of the \$47.3 million, a total of \$29.5 million has been remitted to the 10 approved local governments, leaving a balance in the Sales Tax Increment Fund of \$17.8 million. Additional FY 2016 sales tax revenue will be deposited to the Fund and additional remittances to the local governments will occur before the end of FY 2016.

<b>Flood Mitigation Program Sales Tax Increment Fund</b>				
	FY 2014	FY 2015	FY 2016 *	Total
Beginning Balance	\$0	\$154,611	\$12,148,548	\$0
Sales Tax Revenue	\$2,185,642	\$26,738,512	\$18,364,613	\$47,288,766
Distributions:				
Burlington	0	0	254,218	254,218
Cedar Falls	0	451,401	960,162	1,411,563
Cedar Rapids	1,556,798	8,206,381	2,712,203	12,475,382
Coralville	0	1,046,201	907,201	1,953,402
Council Bluffs	0	1,484,181	871,984	2,356,165
Des Moines	0	0	5,321,417	5,321,417
Dubuque	332,469	2,718,293	801,677	3,852,439
Iowa City	84,474	519,914	713,200	1,317,588
Storm Lake	22,579	57,421	80,000	160,000
Waverly	34,711	260,783	103,611	399,105
<b>Total</b>	<b>\$2,031,031</b>	<b>\$14,744,575</b>	<b>\$12,725,673</b>	<b>\$29,501,279</b>
Ending Balance	\$154,611	\$12,148,548	\$17,787,487	\$17,787,487
* FY 2016 through March 31, 2016.				

With the \$30.0 million annual limit imposed in Iowa Code section [418.12\(5\)](#), and \$18.4 million in sales tax revenue transferred for FY 2016 through the end of March, the remaining net impact on the State General Fund for FY 2016 is \$11.6 million.

Annual reports from the Flood Mitigation Board, local government applications for approval, and semi-annual progress reports from the approved local governments are available from the [Iowa Flood Mitigation Board](#).

### More Information

Iowa Flood Mitigation Board: [http://homelandsecurity.iowa.gov/about\\_HSEMD/flood\\_mitigation\\_board.html](http://homelandsecurity.iowa.gov/about_HSEMD/flood_mitigation_board.html)

Iowa General Assembly: <https://www.legis.iowa.gov/>

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